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Collective Bargaining and Its Effect on Production

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AS a general proposition, the desirability and need of securing increased production cannot be questioned. Even in normal times that may be accepted as a foremost aim of industry; for increased production means potentially, at least, a larger measure of well-being for all within the industry as well as for the community. Today, with all the wastage and losses of the war to be made good, the need is peculiarly urgent.

WORKER'S ATTITUDE TOWARD GREATER PRODUCTION

In the face of this undoubted need, what do we find to be the actual situation? The productivity of labor, generally, has fallen off; that a large measure of deliberate restriction of output is practiced by workers, non-union as well as union; that the wage earners frequently are not merely indifferent but are actually antagonistic to the introduction of machinery or methods aimed to increase production; and that production is being hampered and often completely interrupted by numerous strikes, and stoppages and by the constant shifting of workers which reflects itself in a large turnover of labor.

Moreover, we know with reasonable certainty that most wage earners are capable of greater productive effort without injury to themselves. We know, too, from the progress made in the past, that there are vast possibilities of increasing output through the introduction of improved machinery and methods. Our problem then lies in the discovery of means whereby this greater productive effort may be se-

cured and the way may be made easier for the introduction of these improvements.

Is that means to be found in forcing him to work? Will talking to him, lecturing and exhortation get him to produce more? Hardly, when we now find textile mills and shoe factories shutting down because people would not buy at the prevailing high prices. Here the wage earner has had the fact hammered into his ears for two years that prices cannot come down until he produces more goods, and just as soon as prices do begin to go down, manufacturers who have been clamoring for production shut down their plants so as not to "over produce" as they call it. Are the manufacturers to be blamed now as the workers were before and shall we, by injunction, compel them to keep their factories open?

Perhaps, however, the forces that make for increased or lowered production are more deep-seated than the mere will of men, be they wage earners or employers. Herbert Hoover, upon his return from Europe, did not place the blame upon the workers in discussing the lack of production in Russia. He charged it to the system of management that the Soviets had provided for Russian industry. In the same way, may we not find that our lowered production is due to the kind of management we provide for our industries and to the lack of proper incentives to increased effort?

Why should the wage earner respond to the plea for more production? He is told by the people who presume to teach him what they call "sound eco-

nomics" that he should do so because the world needs more goods, and because prices can be reduced only by increasing the supply of goods. But does the investor furnish more capital simply because more production is needed and so that prices may be reduced? Does he invest in railroads because we need more and better transportation, and does he lend money to home-builders so that rents may come down? On the contrary, the railroads today cannot get the money they need for new equipment and extensions. Building is almost at a standstill because capital can secure a better return in the automobile business or in the manufacture of perfumes and other luxuries. Will the manufacturers of shoes, clothing and other necessities continue to produce these articles in slack seasons and in periods of falling prices? On the contrary, it is not considered good business to invest in unprofitable enterprises and to continue keeping factories running full time when buying is slack and prices are falling. Why, then, should we expect the wage earner to respond to an appeal for more production based on social need, when manufacturers and investors cannot be appealed to in that way? May it not be that the workers too have had experiences which taught them that producing more under certain conditions was unprofitable and not good business?

The workers in many a seasonal industry have learned from bitter experience that to increase their efforts during busy seasons was merely to be laid off a few weeks earlier than usual and to lengthen the period of their unemployment. Those who work piece work have often had the experience that when they turned out more pieces and their earnings were increased, the employer assumed that the rate of pay was too high and cut the piece rate, or

so changed the operation as to get the same result. Then, too, people in the so-called "sweated trades" have found that when production was increased it meant that more "cheap" labor was brought into the industry, the market was undercut and prices were reduced to a point where living wages could not be paid to the regular workers. Wage earners also remember that even the patriotic stimulus of the war was not sufficient to induce the farmers to grow more wheat or manufacturers to produce more supplies. The farmer had to be guaranteed a higher price than usual, the manufacturer had to be assured bigger profits. It cannot be expected, therefore, that the wage earner will increase his efforts simply because more production is needed and he is told to produce more. Very naturally he says: "I want to be sure that it is profitable for me to produce more." And when he assumes that attitude he is merely following the example that business men have set him. He is refusing to invest his labor in unprofitable work.

PARTICIPATION IN MANAGEMENT ESSENTIAL TO PRODUCTION

In the past it was possible for the employer to exact additional output, to speed up his workers, under threats of dismissal. However, the shortage of labor, the lack of immigration and the growing independence of wage earners makes this impossible. The employer now finds that his authority to get production is breaking down. Industry has today reached the point where the employer finds himself incapable of getting work done by means of a mere mandate. He is in a situation much the same that the King of England faced one hundred and fifty years ago when the American colonists refused to pay taxes unless they were represented in the making of the tax

laws. With the coming of political liberty and of free popular education, the workers now are no longer content that all the power over the terms and conditions of their employment should be in the hands of the employer. They look upon him as an industrial monarch, and as soon as the opportunity comes that shortage of labor and strong union organization gives, they say to the employer, "Unless we have a voice in determining the working conditions that control our industrial lives, we will refuse to obey the commands of industry."

While those who have hitherto controlled industry naturally do not want to give up their power, any more than the monarch wanted to yield his political power to the people, they confront the absolute necessity of sharing their control with the workers if production is to be maintained, not to say increased. Until such participation is granted by the employer, the workers may be expected to withhold production. With the employer's power to compel obedience to his orders fast going participation by the workers in the control of industry becomes a condition not only for increased production, but also for maintaining the production of the past.

That the wage earner's demand for a voice in the control of production is a fact and not a theory is proved by the zeal with which employers in every line of industry are establishing shop committees, work councils, and so-called "industrial democracy" plans. No employer who is frank with himself will deny that in inaugurating such a scheme he is hoping to head off the necessity of having to deal with a trade union. But with all the publicity that the so-called "industrial democracy" plans have received and with all the progress that the shop committee movement has made, it

must be remembered that by far the more common form of participation of wage earners in control of working conditions is that provided by organized labor in collective bargaining with employers. The number of plants having works committees is insignificant compared with the number of shops that deal with regular trade unions. During the last four years, when the shop committee movement has made such great headway, very many more wage earners have joined the regular labor unions than are included in all the company plans put together. Even if all of these plans gave a real and effective voice to wage earners in the control of industry, and most of them do not, they would still be far from meeting the demand of the workers for participation in industrial government, because organized labor is growing very much faster in numbers, in prestige and in power, than is the competing movement launched by employers.

IS COLLECTIVE BARGAINING AN INCENTIVE TO PRODUCTION?

Modern industry, therefore, if it is to get production, is face to face with the problem of adjusting its management methods to provide for collective bargaining. Collective bargaining implies a questioning of the absolute authority of the management in governing the productive efforts of the employees. It says there must be no rules or orders affecting the interests and welfare of the wage earners without the consent of those who must obey them. It is further based on the principle that an individual employee cannot effectively question the authority of the management; therefore, the aim is to join all the employees in a union which together with representatives of the employer will form a legislative body for the purpose of giving to those

who have to obey the laws of industry a voice in determining those laws.

No matter how insistent the demand of wage earners for a voice in industry may be, and no matter how powerful labor unions may become, they cannot establish collective bargaining as a permanent method of industrial control unless such democratic control of industrial processes is more efficient, economical and productive than individual bargaining with an employer having absolute authority over his business. Trade unions, with their method of collective bargaining, cannot survive if this method does not bring greater production and greater economic welfare.

Recalling now that it is lack of profit from their labor and lack of incentive, not mere laziness, that causes workmen, like farmers and business men, to slow down production, the question arises as to whether collective bargaining and democratic control of industry offer to wage earners greater incentives to labor than individual bargaining, and will it make greater effort and increased production more profitable to the wage earners?

While there are many incentives to industry, all human experience has shown that there is no incentive quite so powerful for the great masses of men as private ownership of the results of one's labor. Private property in industry finds its justification primarily in the universal experience that men have more interest in working for themselves than in working for society in general, and that by letting each work for himself better results are secured for all. But what of the laborer in the steel industry, packing houses or on the railroads where individual ownership of the business by the worker is out of the question? Working, as he does, for a wage that is fixed not by what he produces but by the competi-

tion of other laborers who want his job, what sense of ownership can he have in the results of his labor? He sees the results of his efforts distributed by a few directors in the form of dividend payments or stock dividends, surpluses of various kinds laid aside or reinvested in the business to which he has no title of any kind. What incentive can there be for such a wage earner in the large modern industrial establishment to "take an interest in the business?" Certainly there is little of the incentive of private ownership for him.

This has been recognized by many employers, and some of them have tried to supply this incentive by establishing profit sharing plans in their plants. Others have sold stock to their employees on easy payments, built homes for them, provided pensions and insurance, and many have resorted to various other forms of "welfare work." Their experiences have shown, however, that while these measures may sometimes serve a valuable purpose to meet particular needs, they do not provide the wage earner with a sufficiently direct incentive to take an interest in his work, stick to his job and give increased production.

Many have thought that where it was impossible for the great masses to enjoy individual ownership this sense of ownership might be supplied through public ownership by the municipality, state or nation. But, obviously, there is no more direct sense of ownership in being a citizen than in being a wage earner or even a holder of a share or two of stock in a \$100,000,000 corporation. Moreover, the experience of the past few years has shown that the public, as an employer, takes no more interest in its employees than does the capitalist. Even in publicly-owned industries, therefore, some more direct sense of ownership is needed if the

workers are to feel a sufficiently direct incentive to increased production.

Wherever collective bargaining is established, however, the wage earners have an equal vote with the employers in the fixing of wages, which is, in effect, deciding on the division of the wealth produced by the industry. Without depriving the owners or directors of the legal title to the business, collective bargaining limits their absolute property rights. When an organization of the workers has a 50 per cent "say," the owners must consult with labor before dividing the product. In substance, this "say" of labor becomes the same sort of right that the owner possesses. In addition, collective bargaining involves the surrender by the employer of his absolute right to discharge without proper cause. To some people this may appear dangerous, as if the workers were taking over the industry in bolshevik fashion. But these features of collective bargaining combine to give the worker a sense of ownership in the industry closely akin to the feeling of the man who works his own farm or conducts his own business. And if what the world needs is the powerful incentive to industry that comes only from a sense of ownership in the industry, then why should we not have collective bargaining when nothing else seems to provide that needed incentive? To employers who have to share their power over industry with those who formerly had to obey orders without question, collective bargaining may indeed appear dangerous. But if the public finds that this method of dealing with labor organizations does promote peace and production in industry without suddenly over-turning all our social arrangements, it may be expected to support this movement for the democratization of industry.

But is it true that collective bar-

gaining in practice results in increased interest and increased production? The objection will immediately be raised that to give a share of control to the unions is to give power over industry to those who traditionally oppose greater production. But is it true that unionism stands in opposition to higher productive efficiency? The fact that curtailment of production exists today in every industry in the country belies that charge, for the vast majority of working people are unorganized. Thus, in the textile industries where unionization has met defeat after defeat, production is conspicuously low. The tendency of the union to restrict production is simply the articulation by organization of the individual workman's attitude. Moreover, the individual workman withholds production because he has no guarantee that increased production will be profitable to himself. On the other hand, given the assurance of a strong union that will protect him in the fruits of his additional effort, the worker gradually gets away from that tendency to restrict output which he develops as the only method of protecting himself against the arbitrary fixing of his income by the employer under individual bargaining.

This was amply proved by the increased production secured during the war, where government agencies dealt with organized labor or required employers engaged in war work to do so. It is further illustrated by a case involving a group of pressers in the Rochester Clothing Industry. These pressers wanted to earn more money. They were getting \$29.00 a week then and wanted \$35.00. All the other workers were getting a \$3.00 raise at that time. The employers told these pressers that they could not give them more than the others were getting, but that if they would undertake to in-

crease their production 10 per cent they would be given an additional 10 per cent increase in salary. The pressers accepted the proposal and increased their production accordingly. There were some individuals who wished to withhold production after the raise in wages was granted; but the union saw to it that they lived up to their obligation on penalty of having their wages reduced. The union was able to do this by insisting that every individual must live up to the rule of the majority. Moreover, employers in Chicago and Rochester, who have within the last year or two entered into collective bargaining arrangements with the union of clothing workers, have stated that the production per man an hour in their shops has actually increased under this arrangement, although this was a time when most other industries have been suffering from curtailment of production.

Under such an arrangement the workers can no longer preach the idea that anything they can get from the employer is justifiable, for they now have as much to say as the employer in determining the division of the product of the industry. The union, as an organization, can no longer defend restrictive practices, for it has assumed a responsibility for the maintenance of output. The union, in fact, must exercise a discipline upon its own members in the interest of keeping up production. It is a common occurrence in industries where collective bargaining prevails for a union representative to convince a workman or group of workmen that they must maintain production. In a Cleveland plant which recently entered into a collective bargaining agreement with an international union of the American Federation of Labor, the superintendent found at first that the union shop committee in the plant was continually

bringing complaints against the management in behalf of individual employees. The superintendent thereupon took advantage of the agreement with the union to file complaints with the committee against employees whose efficiency or whose production was not properly maintained. He then found that the committee was as quick to discipline its own people when the case was clear as it was to take up complaints for them. And where the discipline was democratically imposed by fellow employees, it was much more effective in getting results than orders of the employer.

RESULTS OF COLLECTIVE BARGAINING IN INDUSTRY

Production Methods

Collective bargaining has brought about a similar change in the attitude of the workers toward the introduction of machinery and improved methods of production. Here, again, the individual workman's feeling acquired under individual bargaining is falsely ascribed to organized labor, for the man who joins a union cannot rid himself, in a day, of the feelings acquired through years of experience. A certain degree of antagonism to improvements must always be expected, for it is the instinctive opposition of all human beings to changes in their habits or methods—common to employers as well as to workers. The introduction of pressing machines has been quite a problem in the clothing industry, but the unions have taken a stand with the employers in approving the use of these machines, and with the aid of the unions the introduction of the pressing machines has been made much more easy, even though some men have to operate two or three machines. Recently in Boston, however, one factory wanted to return to the use of hand irons. The workmen

objected most strenuously to this, showing conclusively that it is not machinery, but change to which wage earners object. It was the representatives of the union who succeeded in getting the pressers to use hand irons; the employer could not do it.

Opposition to machinery and improved methods has been much accentuated by many years of bitter experience under individual bargaining when employers used these to the workers' detriment. It will be recalled, in this connection, that the destruction of textile machinery in England during the thirties was done not by organized labor, but by unorganized enraged workmen.

The reason for this is plain when we bear in mind the statement of such a careful historian as Professor E. P. Cheney, of the University of Pennsylvania, who, at a recent meeting of the American Academy of Political and Social Science in Philadelphia, stated that the immediate result of the Industrial Revolution in England that ushered in the factory system was to bring more misery and poverty to the great masses of working people than they had suffered before, although it also enriched a greater number than had previously enjoyed riches.

With the protection to the workers' interests afforded by collective bargaining, the fear of the loss of job or wages, resulting from improved machinery or methods, is gradually eliminated. What may be accomplished when such a guaranty is provided is illustrated by what happened at the time of the introduction of the linotype into the printing industry. Union labor withdrew its opposition and assisted in the introduction of these machines when it received assurances that the former typesetters would be employed as operators of the linotype machines.

It has already been intimated that a collective bargaining arrangement may actively assist the employer in introducing new methods and machines. Under an arrangement whereby the workers are guaranteed an equal "say" with the employers in distributing the product of the industry, the wage earners acquire an interest in anything that will add to the size of the amount to be distributed. In the introduction of scientific management in a shop, a union may be especially helpful. I know of a shop where scientific managers introduced practically a complete system without any serious objection, because the matter was previously taken up with officials who called meetings of the employees and explained fully the nature of the changes to be made and that the employer had a right to make such changes under the agreement with the union. On the other hand, the same employer a short time previously had a great deal of trouble in another shop when an order was issued, without previous consultation with the employees, requiring daily records of work to be kept which had never been done before.

It is, of course, a common occurrence for employees to become unreasonably aroused over some change proposed or instituted in the shop by the management. Any one familiar with collective agreements between unions and employers, however, can cite instances of such employees going to union officials for advice, and on receiving assurances from these that the change would not hurt them and their interests would be protected, returning to work under the new conditions.

Piece-Work

Collective bargaining also has an important bearing on the wage earner's attitude toward piece-work or other forms of payment for measured

production. Most workmen do not believe in equal pay for all. They, who do the same work, want to get the same pay, but they also insist that those who do more than others should be paid more. When workmen have opposed piece-work, generally, it has not been because they were opposed to it in principle, but rather because they were opposed to the practice of employers of regulating the piece-rate by what they consider the workman ought to earn. When, under collective bargaining, the workers feel sure of the strength of their organization to protect their earnings, they do not object to piece-work or other forms of measured production. In fact, when the workers have something to say about the distribution of the wage bill they begin to feel strongly that the distribution ought to be according to each worker's contribution. Thus, we find the tonnage basis and piece-work accepted without question as the method of wage payment under the agreements of the United Mine Workers of America and of the United Shoe Workers. Where unions are opposed to piece-work, it will usually be found either that they are not strong enough to contest the power of the employer, or else the quality of the product is an important factor in the industry and that quality is measured by an examiner's opinion rather than a mechanical test. In both the women's and the men's clothing industry, however, where such quality is most important, and the unions have insisted on week-work, they have also agreed that standards of production shall be established for every weekly scale of wages, which, if not exactly piece-work, is payment for measured production.

Industrial Interruptions

A highly important gain to production from collective bargaining, which

is commonly overlooked, is the lessening of interruptions to industries caused by strikes, lockouts, stoppages and also by high rates of labor turnover. Trade union agreements with employers usually run for a year or other stated period and during these periods strikes, stoppages, or lockouts are prohibited and arbitration of disputes provided. Between these periods the general tendency is for strikes and lockouts to decrease as soon as collective bargaining relations have been established in an industry. In the matter of labor turnover, no data has been collected to enable us to compare accurately the percentages of labor turnover in plants dealing with unions and those which do not deal with unions. It is strikingly noticeable, however, that the high labor turnover, which has been a matter of great concern to industrial managers during the last few years, is most common in the so-called "open shop" industries, whereas the industries and occupations which are unionized have a comparatively low labor turnover.

There is a common superstitious belief that democracy is always less efficient than autocracy, and therefore industrial efficiency is bound to suffer to the extent that democracy is introduced into industry. To the boss, the foreman, the superintendent or the employer, whose word has been law to his employees, it may appear most absurdly inefficient that he should have to discuss his orders with his employees and consult them about his policies. But when we remember that it has been his rule that brought us opposition to machinery and improved methods from the workers, restriction of output, strikes and lockouts, labor turnover of 400 or 500 per cent and more and the great decrease in production that most industries now suffer, it must be quite

plain that there is nothing efficient about autocratic control of industry.

On the other hand, it is not sufficient merely to curb the employer's absolute power and establish the wage earner's rights in industry through collective bargaining. This is the negative democracy that confuses liberty with freedom from interference. To be efficient, democracy must be positive and constructive, and deliberately organized to do the things which autocracy has failed to accomplish. Collective bargaining and trade unionism in industry must have administrative agencies for seeing to it that the problems of labor management, such as increasing production, progressive improvement in methods and technique, wage-payment for service rendered and discipline of employees, are properly and efficiently handled.

COLLECTIVE BARGAINING AGREEMENTS

Have the collective bargaining agreements between employers and trade unions developed such administrative agencies? No one who has studied the history of trade agreements in the coal mining industry, stove-molding, printing trades, on the railroads and in the clothing and building trades, can have any doubt that such agencies are developed where the collective bargaining relations are maintained for a sufficient length of time to permit it. In the first place, the unions in their own local units, district councils, conventions and executive boards establish that control and discipline of individual members which is essential in industry, and which, because it is democratic, is more effective than the employer's efforts at control. Secondly, when the agreements are made there are always joint meetings of representatives of the employers and the workers who have a mutual veto on each other's acts and who together legislate for the industry.

Thus, the point of view of both labor and capital are considered in all legislation and each gets a thorough understanding of the problems and purposes of the other.

Then, during the intermission between meetings, officials of the organizations of both parties and committees of both employers and employees are in constant contact for the purpose of adjusting disputes and settling complaints and grievances of both sides. Thus, there are trained in a school of experience expert labor administrators who are able to give to employers that technique and knowledge of handling human beings which has been conspicuously lacking in the management of industry. At the same time, it gives to the wage earners labor officials who are not only expert union organizers, but who understand also the problems of the management and the financial side of the industry.

Finally, practically all trade agreements between unions and employers contain arbitration clauses. This is the rudimentary form of the judicial function in the constitutional government of industry. It has been the weakest point in the collective bargaining machinery because both employers and wage earners were most interested in establishing and defining their rights. They rightfully objected to any outsider, coming in as an arbitrator, doing that for them. In recent years, however, it has become more and more plain that the agreements made and amended from time to time by representatives of the employers and the workers are the real constitutions and laws of the industries. Not an arbitrator, in the sense of umpire or referee, is needed, but a man or board that will be partly a court and partly an administrative agency to carry the laws into effect. The Workmen's Compensation Commissions offer a good

analogy. It was found that compensation laws do not work out unless there is good administrative machinery to make them work, and trial boards, without all the legalistic methods of the courts, to adjudicate disputes under the laws. In such a manner trade agreements entered into by collective bargaining do not work out satisfactorily of themselves. They need administration, interpretation and application to particular cases from day to day, and for this a labor adjustment board or industrial court of some kind is necessary.

With this developed, to complete the administrative machinery of collective bargaining, we have a complete system of constitutional government in industry, modeled on the basis of experience, and capable of handling efficiently and constructively all the problems of modern production. It is bound to grow and survive as the prevailing type of labor management, because industrial monarchy with its insistence on individual bargaining has already broken down in its inability to get production from the wage earners.